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ABSTRACT

This handbook provides FY (fiscal year) 2001 guidelines developed by the Library of Michigan for applying for LSTA (Library Services and Technology Act) subgrant funding. The handbook includes the following sections: (1) overview of the LSTA subgrant program; (2) general application guidelines for all funding areas; (3) budget category definitions for communications, library materials and supplies, professional services and costs, promotion and outreach, technology, training, and miscellaneous; (4) review of the proposal; (5) the award process; (6) reimbursement policies and procedures, including eligible costs, ineligible costs, reimbursement documentation, and ownership of federally funded equipment; (7) project revisions; (8) copyrights; (9) property and services procurement; (10) reports, including interim and final reports; (11) single audit requirements and costs; and (12) records retention. (MES)

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Library of Michigan

FY 2001 LSTA Subgrant Program

Guidelines

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I. OVERVIEW

This subgrant program was developed by the Library of Michigan to distribute federal library funding received under the Library Services and Technology Act (LSTA). This federal program has two broad purposes:

- to encourage library technology and networking among all types of libraries; and
- to provide assistance to those having difficulty in using libraries.

Goals for the improvement of library service, as well as the specific programs and services to be funded have been identified in the Library Services and Technology Act Five Year State Plan for Michigan October 1, 1997 - September 30, 2002 , published by the Library of Michigan. The state plan is implemented through annual LSTA programs, services, and subgrants.

This publication includes a summary of the FY 2001 funding areas and a guide to the overall state plan for LSTA implementation. Examples of activities eligible for support in each funding area, the eligibility requirements for applicants, and the criteria to be used in evaluating project proposals are also described.

The **LSTA Funding Areas for FY 2001** may be classified into three groups:

1) **Statewide projects**
2) **Competitive subgrant projects**
3) **Subgrant projects dedicated to a specific area of statewide interest**

Statewide projects may include federal funding for:

- AccessMichigan
  - A statewide electronic database project to license both full-text and indexes for use by all Michigan libraries;
  - The provision of Internet access to a statewide listing of periodical and newspaper titles and holdings (SPAN: Serials, Periodicals and Newspapers);
  - Support for the Michigan Electronic Library (MEL);
  - The expenses for the evaluation of the results of the projects and services that have been funded; and
  - The provision of telephone access to selected Michigan and national newspapers through projects for persons with disabilities.
- Conferences and workshops

Competitive subgrant projects may include funding for:

- Adaptive technology;
- Children in poverty;
- General technology;
- Persons having difficulty using a library; and
- Promotion and training.

Subgrant projects dedicated to a specific area of statewide interest may include:

- Specific subgrants to assist the development of libraries serving the blind and physically handicapped; and
- Support for the activities of the multitype Regions of Cooperation.

The **LSTA Five Year State Plan for Michigan** will be reviewed and updated to make appropriate adjustments as further federal guidance becomes available and as the results of LSTA-funded activities are known. Suggestions for improvements in the LSTA program and guidelines may be sent to the Library of Michigan at any time.

The **LSTA listserv** was created to provide a forum for dialog specific to the LSTA program. To subscribe to the LSTA listserv, send the message "subscribe lsta" to majordomo@listserv.libofmich.lib.mi.us.

II. GENERAL GUIDELINES - Apply to **ALL** subgrant funding areas

A. Applications for competitive subgrants must be received at the Library of Michigan by the due date listed on the application, regardless of delivery method. **No extension of proposal due dates will be made.**

B. For competitive subgrant projects, federal funds are to be used as seed money and are not to be used to replace local funding of daily operations, including materials or staff, or used to support ongoing activities.

C. According to LSTA, Section 213, the term 'library' includes:

1) a public library;
2) a public elementary school or secondary school library;
3) an academic library;
4) a research library that:
   a) makes publicly available library services and materials suitable for scholarly research and not otherwise available to the public; and
   b) is not an integral part of an institution of higher education; and
5) a private library, but only if the state in which such private library is located determines that the library should be considered a library for purposes of this subtitle.

NOTE: Charter school libraries are eligible within the public school category, if the charter school has been approved by the State of Michigan.

D. To be eligible to apply for LSTA funds, the library must meet **all** of the following Library of Michigan criteria:

1) have one or more paid library staff;
2) have a regular schedule of library service;
3) have a dedicated facility for library purposes;
4) have an annual budget with funds reserved for library materials and services; and
5) have a record of multitype library cooperation, evidenced by activities such as union listing of holdings, reciprocal borrowing or interlibrary loan.

In addition, Library Cooperatives established under P.A. 89 of 1977, Regions of Cooperation (ROCs), Regional Educational Media Centers (REMCs), and Intermediate School Districts (ISD) may apply on behalf of their members for a centrally-administered project that will benefit multiple library locations.

E. A multi-branch library or school district may choose to apply on behalf of an individual branch, selected branches, or the system as a whole.

F. A library may apply in more than one funding area and may submit more than one application within a funding area.

G. Each proposal must clearly designate only one funding area.

H. The amount requested for competitive subgrants may range from $5,000 to $125,000 depending on the funding area. The total amount requested must be within the range established for the funding area.

I. Projects must clearly document the expected benefit to individuals. Applicants may propose a project to serve a specific group, such as senior citizens, based on need.

J. Collaborations among libraries and with community agencies which benefit individuals in the community are strongly encouraged. The subgrant proposal must clearly designate a single eligible applicant library and the subgrant administrator must be an employee of the applicant library.

K. Each subgrant proposal must be independent of any other LSTA proposal.

L. All LSTA project activities must occur within the award period identified in the subgrant contract document.

Project costs and obligations incurred prior to or beyond the award period will not be reimbursed.

M. All subgrant funds are disbursed on a reimbursement basis. The due date for reimbursement documentation will be identified in the subgrant award document. Subgrant reimbursement requests may be sent in at any time in the subgrant period prior to the due date.

N. During the proposal review process, applicants who have received past LSTA subgrants will be evaluated on their history of administering those projects. Specifically, an applicant library that has not completed all activities as approved in a previous LSTA subgrant project without sufficient explanation, or that has failed to complete a satisfactory LSTA final report at the close of the subgrant, will be rated as "ineligible" to apply for LSTA funding in subsequent years. The subgrant recipient will be returned to "eligible" status after a waiting period of 12 months from the date on which the subgrant was accepted by the Library of Michigan as satisfactorily completed.

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O. Legislators will be notified of subgrant awards to libraries located in their districts prior to notification to applicants.

P. Libraries may not charge patrons for the use of materials or equipment acquired with LSTA funds during the subgrant period. After the close of the subgrant, fees are a local policy matter.

Q. Locations for all LSTA funded items must be clearly specified in the application.

R. Each subgrant proposal must:
1) include one original and five copies;
2) be submitted as single-sided documents;
3) have consecutive page numbers;
4) be typed or computer generated; and
5) be submitted in typewriter font size not more than ten characters per inch and computer font size not less than twelve point.

S. All proposals (copies and originals) become the property of the Library of Michigan and cannot be returned.

III. BUDGET CATEGORY DEFINITIONS

Use only the budget categories listed. The definitions are meant to clarify the budget categories and are not meant to limit the items in each category only to those mentioned. See Section VI, Reimbursement Policies and Procedures, of the LSTA Subgrant Guidelines for procedures to be followed and documentation to be provided.

LSTA Budget Categories:

A. Communications
B. Library Materials and Supplies
C. Professional Services and Costs
D. Promotion and Outreach
E. Technology
F. Training
G. Miscellaneous

Budget Category Definition:

A. Communications: Telephone billings, telecommunication charges, and other communications expenses.

B. Library Materials and Supplies: Materials and supplies necessary to carry out the subgrant project. Includes library materials such as books, catalog cards, CD-ROMs, films, microfiche, microfilm, microform materials, periodicals, videos; and office items such as copy paper, letterhead, and postage. Subscriptions for no more than 12 months may extend beyond the subgrant period if ordered and paid for before the expenditure deadline.

C. **Professional Services and Costs:** (not related to outreach, promotion, technology or training)

Includes consultant fees, professional fees, and staff costs, other than those specifically related to another budget category. Includes travel, meals, and lodging when expended in direct support of project objectives not related to outreach, promotion, technology or training. Activities related to promotion and outreach, technology, or training should be designated in those budget categories.

D. **Promotion and Outreach:** All costs related to promotion of the project and outreach, including advertising, design fees, printing, publishing, and travel costs. Includes costs of promotional items to make the target population aware of the improved library service.

E. **Technology:** Costs of technology including hardware, software, supplies, and furnishings integral to the project. Also includes the costs for consultant fees, delivery, installation, and maintenance of hardware, software, and other technology related expenses. Maintenance contracts for no more than 12 months may extend beyond the subgrant period, if ordered and paid for before the expenditure deadline.

F. **Training:** Includes project related training costs such as wages, professional fees, administrative costs, preparation and printing of training materials and supplies. Includes travel, meals, and lodging when expended in direct support of project's training objectives.

G. **Miscellaneous:** Unusual or hard to classify items. Provide specific details for any expenditures listed in this category.

IV. REVIEW OF PROPOSAL

Each application will be reviewed by a team of Library of Michigan staff members, and may also include representatives from the LSTA Advisory Council or Library of Michigan Board of Trustees. The State Librarian will make all final decisions on subgrant awards.

During the proposal review process, proposals will be evaluated on how well each of the required elements of the application is developed. The reviewers will also evaluate the appropriateness of the project for the funding area; the project plan, approach to project implementation, and achievement strategies; and the reasonableness and adequacy of the budget to support the project.

Additionally, applicants who received past LSTA subgrants will be evaluated on their history of administering those projects.

V. AWARD LETTER AND SUBGRANT ADMINISTRATION

A. **Award Letter:** Receipt of the LSTA award letter from the State Librarian authorizes the start of the LSTA project. All invoices and obligations must be incurred within the award period stated in the subgrant contract document. Expenditures or contractual obligations incurred prior to the start of the award period will not be eligible for reimbursement under the LSTA program.

B. **Subgrant Contract:** The Library of Michigan will prepare and execute a contract with each subgrantee and fiscal agency.

C. When issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with Federal money, all subgrantees shall clearly state: (1) the percentage of the total costs of the program or project which will be financed with Federal money; (2) the dollar amount of Federal funds for the project or program; and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-government sources.

D. **Provision of Information:** If the library director fails to respond to a request for information, the Library of Michigan may contact the Board Chair or other authorized official to obtain needed information or to prevent the lapse of federal funds.

VI. REIMBURSEMENT POLICIES AND PROCEDURES

Subgrantees must follow all Library of Michigan guidelines and federal regulations in order to continue participation in the LSTA subgrant program.

A. **Eligible Costs:** Funds must be expended solely for the purposes described in the approved subgrant project proposal or approved project revision. When items are purchased that are not specifically mentioned in the subgrant proposal, the subgrantee runs the risk of covering those expenditures with local funds. The Library of Michigan retains the right to deny reimbursement for items that are not described sufficiently in the subgrant proposal, or to approve such expenditures after proper authorization has been obtained.

Funds are available to subgrantees only on a reimbursement basis. All project expenditures and obligations must be incurred after the award date and prior to the expenditure deadline, unless a project extension has been approved. The award period is stated in the contract between the Library of Michigan and the subgrantee.

The Library of Michigan will reimburse the subgrantee only when:

1. The subgrantee has paid for the goods and/or services; and
2. The subgrantee has received the goods and/or services.

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Printed Items: When materials are printed and those costs are claimed as part of the subgrant, include a complete copy of the item produced with your Reimbursement Requests. The following statement must be included on all publicity, printed or promotional materials funded by or about the LSTA project:

> "This project is funded with a Library Services and Technology Act grant from the Institute of Museum and Library Services, administered by the Library of Michigan."

Professional Services: Subgrantees may contract for services from individual libraries, library cooperatives, or other entities. Rules regarding reimbursement vary depending upon the type of service provider. In most cases, a contract is not required for professional services to be provided by unrelated entities. Documentation submitted for reimbursement must be on an invoice, on the letterhead of the service provider, or on the LSTA Record of Professional and Contractual Services form. It must include charges for services only after they have been provided.

Professional services to be provided by another library or library cooperative must be documented by a contract that reflects an arms-length transaction. The contract must contain the dates when the services will be performed, and a description of the services and charges for the services. Invoices submitted for reimbursement must be on the letterhead of the service provider and include charges for services only after they have been provided.

Contracts over $2,000 that include services performed by laborers or mecha cal workers (i.e. carpentry, alteration, electrical, or painting) are covered by the Davis Bacon Act as well as other related acts and at a minimum, require payment of the federally established prevailing wages and fringe benefits. If you suspect that your project involves this type of contractual situation, contact the Library of Michigan for further information before signing any contracts.

Travel Reimbursements: Travel costs may only be incurred when they are in direct support of project objectives. Mileage requests require a beginning and ending destination, as well as the purpose of the travel. Lodging must be supported by dated receipts.

Travel costs for subgrantee staff are limited to the State rates in effect at the time the expense is incurred. Reimbursements must be documented on LSTA Travel Reimbursement forms. Out-of-state travel for staff is not authorized for reimbursement in LSTA projects. Maximum rates in effect at the time of publication are as follows:

Lodging (actual, supported by receipts)	$63.00 + taxes
Breakfast	6.50
Lunch	7.25
Dinner	16.25
Mileage rate - private car	$.31/mile

B. **Ineligible Costs:**

The following items are **among** those **not eligible** for reimbursement:

1. Food and beverages provided at workshops, meetings, or open houses
2. Fringe benefits
3. Payroll taxes
4. Photocopiers
5. Sales taxes
6. Transportation equipment
7. Overhead and indirect costs

C. **Reimbursement Documentation:**

1. **LSTA Reimbursement Request - Required Form** - must be signed by the subgrant administrator and the fiscal agent. Only original signatures will be accepted. Use the Change of Key Personnel form, Appendix C, to notify the Library of Michigan should either of these individuals change during the life of the project.

   All completed Reimbursement Requests (RR), including all attachments, must be received by the Library of Michigan no later than the stated due date, unless a project extension has been approved by the Library of Michigan. If it is determined that information is missing from the RR during the Library of Michigan's review, the RR may be returned to the subgrantee in its entirety, along with a letter that identifies what additional information is needed.

   When complete information is received with the RR, the Library of Michigan can authorize payment promptly. After receiving the LSTA reimbursement check from the Michigan Department of Treasury, the subgrantee should staple the check stub to their file copy of the RR. At the time of the subgrantee audit, this will help identify the source as federal funds.

2. **LSTA Invoice Summary - Required Form** - summarizes the project expenditures for which reimbursement is being requested.

3. **Source Documents - Required** - Legible copy of each vendor invoice which documents that the transaction occurred within the subgrant period will be necessary for reimbursement. Invoices must be dated and include the quantity and unit cost, and accurate descriptions of goods and/or services provided. Packing slips including the above information will be acceptable when the vendor does not provide an invoice.

4. **LSTA Timekeeping Report Form** is required for individuals who are carried on the library's regular payroll. Fringe benefits and overtime rates paid by the subgrantee are not eligible for reimbursement.

The Library of Michigan LSTA Timekeeping Report form must be used for every LSTA-funded employee to claim reimbursement for wages. Wages are allowable only when:

1) the employee is on the library's payroll;
2) the functions supplement, not supplant, activities normally carried out by the library;
3) the wage is appropriate and reasonable for the LSTA activity; and
4) the functions are allowed under the LSTA program guidelines.

Only staff hours actually funded by the LSTA award should be recorded on the timekeeping form. The hours worked for the weekly periods must be multiplied by the pay rate and recorded in the lower right hand section of the timekeeping report. The number of hours recorded on the time sheets must tally with the number of hours for which reimbursement is requested. The employee and the supervisor must sign and date all time sheet submitted to the Library of Michigan for reimbursement.

5. **LSTA Equipment Inventory Form** documents all tangible, non-expendable personal property having a useful life of more than one year and an acquisition per unit cost of $5,000 or more.

Information to be completed on the Equipment Inventory form includes:

a) A description of the equipment, including the manufacturer's model and serial number.
b) Acquisition cost is the net invoice price of the equipment, including the cost of installation, transportation, testing and similar preparatory costs, modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired.
c) Vendor from whom the equipment was purchased.
d) Date equipment was received by the library.
e) Location of the equipment in the library.
f) Percentage of acquisition cost paid by LSTA funds.
g) Report whether the equipment purchased is actually being used by the library patrons and/or personnel.
h) Any final data such as information on the transfer or disposition of equipment. List the date, sale price, or method used to determine fair market value, where applicable.

Equipment purchased with subgrant funds is subject to certain federal regulations (45 CFR 1183.32) and state guidelines and should be identified with a faceplate to be provided by the Library of Michigan.

A separate equipment inventory form must be maintained for each LSTA subgrant project and submitted to the Library of Michigan with the Reimbursement Requests for the inventoried items.

D. Ownership of Federally Funded Equipment

Title to equipment acquired under an LSTA subgrant vests upon acquisition in the subgrantee. Equipment shall be used by the subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported with federal funds, regardless of purchase cost or current value.

Procedures for managing equipment must, at a minimum, meet the following requirements:

1. Property records must be maintained, and include a description of the property, a serial number or other identification number, the source of property, title holder, the acquisition date, the cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

2. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. A copy of the inventory must be submitted to the Library of Michigan.

3. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

4. Adequate maintenance procedures must be developed to keep the property in good condition.

5. Proper sales procedures must be established to ensure the highest possible return if the grant recipient is authorized or required to sell the property. Subgrant recipients assume any expenses incurred from selling LSTA funded equipment. There is no provision for using any of the sale proceeds to cover expenses.

Disposition is an action which reduces a subgrantee's control of LSTA funded equipment. Disposition includes, but is not limited to: selling, loaning, exchanging, trading in, transferring, donating, destroying, or using the equipment for purposes other than supporting the authorized LSTA project.

When acquiring replacement equipment, the subgrantee may use the equipment to be replaced as a trade-in, or sell the property and use the proceeds to offset the cost of the replacement property, subject to prior approval by the Library of Michigan.

Fair market value is the estimated amount (appraisal value) which could be received for an asset in a transaction with a neutral party in an open market at a point in

time. It is the price for which the asset could be sold in an arms-length transaction between unrelated parties.

Fair market value of $5,000 or more: The subgrantee may retain or sell the equipment and the federal government shall have a right to an amount calculated by multiplying the current market value or proceeds from the sale by the federal government's share of the equipment. This amount is payable to the Library of Michigan as the administrative agency for the LSTA subgrant. All disposition of such equipment must have prior written approval from the Library of Michigan.

Fair market value of less than $5,000: The subgrantee may retain, sell, or otherwise dispose of the equipment with no further financial obligation to the federal government. Notice of such disposition must be reported to the Library of Michigan.

VII. PROJECT REVISIONS

A. Variations that require a Project Revision:

1) **Objective/Activity Revisions** occur when an objective will not be accomplished as approved, or when a subgrantee wants to change an activity that was approved, or carry out an activity not included in the approved project proposal or previously approved revision. Most revisions of this nature will also include fiscal changes in the objective and summary project budgets.

2) **Major Budgetary Revisions** occur when a single change, or the cumulative total of a number of changes, exceeds ten percent of the amount of the subgrant award. Changes of this magnitude, although driven by budget adjustments or price changes, are seen as possibly affecting the ability of the subgrantee to carry out the project as originally approved.

B. Variations that do not require a Project Revision:

A project revision is not required if single or cumulative adjustments to previously approved activities are ten percent or less of the subgrant award, and the overall scope and specific objectives of the project do not change.

C. Procedure to request a Project Revision:

To request approval, the subgrantee must submit a Project Revision form. It is strongly recommended that all Project Revision forms be filed prior to the end of the eighth month of the subgrant expenditure period. It is also strongly recommended that the subgrantee obtain prior written approval from the Library of Michigan before carrying out a project revision. If the subgrantee carries out the project revision before receiving approval from the Library of Michigan, the subgrantee runs the risk of covering those expenditures with local funds.

A cover letter explaining the proposed revision and justification should be included with the Project Revision form. Attach the following documentation to the cover letter:

- A revised Abstract that reflects the adjustments to the project;
- Revised sections of the project Narrative, when applicable;
- All Project Objectives, Activities, and Budgets that change because of the revision; and
- A revised Summary Budget.

The same guidelines that were applicable at the time of the subgrant application continue to apply when project revisions are made.

D. Incomplete projects without approved Project Revision:

All subgrant projects must be completed as described in the original project proposal and any approved project revisions.

If a subgrant recipient reaches the end of an LSTA project without acting on one or more of the approved activities, and no project revision or explanation for the incomplete project has been provided to the satisfaction of the Library of Michigan, the subgrant recipient will be ruled "ineligible" to apply for LSTA funds in the future. The subgrant recipient will be returned to "eligible" status after a waiting period of 12 months from the date on which the subgrant was accepted by the Library of Michigan as satisfactorily completed.

VIII. COPYRIGHTS

The federal awarding agency reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use for federal government purposes, the copyright in any work developed under the subgrant or contract under the subgrant, or purchased with subgrant support (45 CFR 1183.34).

IX. PROPERTY AND SERVICES PROCUREMENT

All goods and services purchased with federal funds must conform to applicable federal laws and standards (45 CFR 1183.36).

All procurement transactions must be conducted in a manner providing for full and open competition. Procurement by small purchase is a relatively simple and informal method of procurement for securing services, supplies, or property that do not cost more than $100,000 in the aggregate. If small purchase procurement is used, price and rate quotations should be obtained from an adequate number of qualified sources.

The subgrantee must retain sufficient records to detail the procurement method used. These records should include, but are not limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and basis for the contract price.

X. REPORTS

A. **Interim Reports:**
During the grant year, the Library of Michigan will send forms for reporting project progress to subgrantees. These reports request information pertinent to project expenditures, as well as progress on project objectives. This information is required for federal and state reporting and must be submitted in a timely fashion.

B. **Final Reports:**
The Library of Michigan will send forms for final narrative and evaluation reports to all subgrantees. The subgrantee's narrative report must include achievements, successes/failures, and the impact of the project on the individuals and communities the library serves. Data supporting the evaluation must be included. Final reports must include the number of people served by the project.

Failure to submit a final narrative report will result in disqualification for future subgrant awards. The subgrant recipient will be returned to "eligible" status after a waiting period of 12 months from the date on which the subgrant was accepted by the Library of Michigan as satisfactorily completed.

A Final Expenditure Report will be sent to each subgrantee after the final payment has been made by the Library of Michigan. This report confirms the total amount expended on the subgrantee's project.

LSTA site visits may be conducted by the Library of Michigan on a random basis. A site visit report will be completed by the Library of Michigan representative.

XI. SINGLE AUDIT REQUIREMENTS AND COSTS

Audit requirements for recipients of federal aid are established according to: Single Audit Act of 1984, Public Law 98-502; Single Audit Act Amendments of 1996, Public Law 104-156; in accordance with Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Michigan public libraries are often included in the Single Audit of their units of local government conducted under the state Uniform Budgeting and Accounting Act. In addition to its normal distribution, the subgrantee should distribute their audit report and financial statements to the Library of Michigan, Attn: Federal Programs Team, when LSTA funds expended equal or exceed $300,000 in a fiscal year.

Any library or fiscal agency which is not included in a Single Audit of a local government unit under the Uniform Budgeting and Accounting Act shall contract with an independent auditor to conduct a Single Audit, in accordance with OMB Circular A-133, when the subgrantee expends $300,000 or more of federal funds in the subgrantee's fiscal year.

Auditors should be informed that payments received from LSTA subgrant awards are 100 percent federal funds under Catalog of Federal Domestic Assistance (CFDA) 45.310, and subject to the Single Audit Act. All auditors shall comply with the Government Auditing Standards when performing these audits.

When a Single Audit is required because of LSTA funds expended, a copy of the prearranged audit contract (audit engagement letter) between the subgrantee and either the Michigan

Department of Treasury or an independent CPA firm must be filed with the Library of Michigan before the final ten percent of an LSTA award can be released. This contract must show when the Single Audit will be performed and the projected completion date. A Library of Michigan Single Audit Checklist will be enclosed with the award package. This checklist can be used in place of the audit engagement letter. The subgrantee should submit the Single Audit report to the Library of Michigan as soon as the audit is completed.

Single Audit costs are allowable charges to LSTA subgrants only when a Single Audit is required due to LSTA funds expended. Single Audit costs must be included in the approved grant proposal, if reimbursement will be requested.

The allowable amount of reimbursement for Single Audit charges may be calculated as a percentage of the total Single Audit expense. This expense should not exceed the percentage of LSTA funds in relation to the fiscal agency's total federal funds audited. The percentage can be different if cost documentation demonstrates higher or lower actual Single Audit costs for the LSTA funded projects.

If all other documentation is received, projects will be preliminarily closed out by the Library of Michigan prior to completion of the Single Audit report. Approved Single Audit charges will be reimbursed after submission of the completed Single Audit. To obtain reimbursement of Single Audit fees, use the LSTA RR form, supported by a copy of the audit bill with the date paid and check number noted.

The Library of Michigan is responsible for ensuring compliance with federal requirements at both the state and subgrantee levels. This responsibility includes operating the LSTA program, assuring audit resolution, and maintaining property records.

If there are audit findings, the subgrantee is required to develop and implement a corrective action plan that addresses the findings and recommendations resulting from its A-133 audit. The Library of Michigan reviews each subgrantee's Single Audit report and requires that a Single Audit follow-up be sent to the Library of Michigan for inclusion in the subgrantee's file.

Failure to respond to a Library of Michigan request for audit review follow-up or failure to comply with Single Audit requirements will preclude further participation in the LSTA program.

XII. RECORDS RETENTION

All records for each project must be maintained separately from those of other projects. Accounting records should be supported by source documentation such as canceled checks, paid invoices, and payrolls.

Records must be retained for three years after the date of the final expenditure report. In cases of audit questions, records must be maintained until resolution or three years after the date of the final expenditure report, whichever is later.

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